

**MERCHANT VESSELS TO BE KEPT AFLOAT**  
New Shipping Board Faces Gigantic Task in Its Effort.  
CLAIMS ARE \$300,000,000  
Operating Loss at Present Is Estimated to Be \$16,000,000 a Month.

Harding's Expense Small.

President Harding's offices and expenditures, known on the bookkeeping records of the Government as the "Executive proper," was probably the smallest item on the list of disbursements. This item was \$63,662 from July 1, 1920, to May 31, 1921.

Approximately \$7,897,000 was spent by the Government in purchasing obligations of foreign governments. During the previous month the total of this item was \$478,337,028.

Payments under the railroad laws cost a total of \$728,587,356 with the certificate of the Government as the "Executive proper" was \$1,000,000 by July 1. The War Finance Corporation cost \$11,323,000 and the Grain Corporation a total of \$2,353,000. The total of the commissions and offices took \$106,040,000 from the public purse. The Government contributed more than \$20,387,000 to the running expenses of the District of Columbia at the cost of the Panama Canal was \$16,036,000.

Some other items of expenses for the first eleven months of the year in round figures were: Legislative establishment, \$17,470,000; State Department, \$7,905,000; Treasury Department, \$452,371,000; Justice Department, \$15,804,000; Post-office, \$24,535,000; Interior, \$218,602,000; Agriculture, \$112,261,000; Commerce Department, \$28,625,000; Labor Department, \$8,067,000; United States Shipping Board, \$131,739,000.

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#### Harding to Talk on Economy And Ask for Cooperation.

The meeting called by Gen. Dawes is the first of its kind in the history of the nation. The order for its assembly was sent out over the signature of the Director of the Budget, but it carried the line: "By direction of the President." A familiar one in army orders.

President Harding will deliver an economy talk and ask for the full cooperation of his subordinates down to the smallest bureau chiefs. So far as known this is the first time since Colonial days that a president has felt it his duty to call upon the heads of the departments and bureaus and the heads and assistants in the independent bureaus and on numerous boards. The order for the meeting is directed to all of them.

The men called into the conference are those who have always actually prepared the estimates for Congress. Estimates for the next fiscal year will be ready promptly on July 1, when the budget bureau comes formally into existence. In the past bureau and division heads prepared the estimates of what they needed. These estimates were reviewed by department heads and in turn by the Secretary of the Treasury. Each of the bureau heads had his own ideas and they were generally carried through.

Gen. Dawes hopes to bring together and get the ideas of all of these men and then start them all on a general campaign for estimate cutting.

#### New Comptroller-General To Install Uniform System.

The new budget system was made ready to start operations July 1, when President Harding to-day announced the appointment of J. Raymond McCall of McCook, Neb., as Comptroller-General of the United States.

The office is one of the two major ones created by the budget and is on an equality with that of the Director of the Budget. No removal from politics the law provides that the Comptroller-General shall hold office for fifteen years unless removed by joint resolution of Congress signed by the President or passed over his veto. His duties are mainly those of an auditor, and the budget bill provides for the installation of a uniform system of bookkeeping and auditing in Government departments under him. All the present auditors of the various departments will be abolished and the work given to assistants of Mr. McCall.

#### New York State Entitled To More U. S. Employees.

New York State is entitled to a greater representation in the classified civil service under the apportionment fixed by Congress, Senator Willis (Ohio) said to-day during a call at the White House.

Senator Willis had an official tabulation showing that although New York is entitled to 4,700 employees in the Government service the State now is only credited with 3,300. New Jersey is entitled to 1,200 appointments, but only 700 appear on the rolls from that State.

Readjustment of civil service personnel to produce a more equitable distribution of Federal patronage is advocated by Senator Willis.

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## VOLUNTEERS GUARD QUEBEC IN POLICE AND FIRE STRIKE

Soldiers Take Charge and Citizens Enroll—Thirty Arrests Ordered—300 False Alarms Sent In—Pickpockets Have Gala Day.

QUEBEC, June 27.—The city of Quebec, although it is without police and fire protection since the walkout Saturday night, is claimed by the chiefs of both departments to be fairly safe. A deadlock exists between the striking police and firemen and the City Council, the city having stated that they would accept the decision of the arbitration commission with regard to an increase in wages, but both forces refused to accept and held out for an increase of \$1.50 a week straight.

The police were recently granted an increase of \$1 a week by the arbitration committee and they seemed satisfied up to Saturday morning, when they saw that the firemen were asking for \$1.50, so they decided that they might as well get the fifty cents extra.

At midnight the men of both the fire brigade and the police force walked out, and during the night windows were broken, a police station was wrecked, the lamps on the principal streets of the city were smashed, telephone wires were cut and other damage done.

The Mayor asked the Twenty-second Regiment, in camp at Lévis, across the river from Quebec, to take charge of public safety. The regiment is now in control of the city, men being stationed at practically all of the public buildings.

During Sunday, from the time the men went on strike up to midnight some 300 false alarms were rung in, but only one fire resulted, soldiers with the aid of some volunteer firemen subduing the blaze before any real damage was done.

To-day Wilfrid Poirer, president of the National Association of the employees of the Fire Department, was arrested. Thirty other arrests of policemen and firemen have been ordered.

Volunteers fighting a blaze in a sub-urban today reported they had found several hydrants tampered with. A statement was issued by the strikers, many of whom added in checking the flames, saying that they were responsible for the condition of the hydrants.

A large number of pickpockets are having a free hand in the city while the police are on strike. To-day was the celebration of St. Jean Baptiste, the patron saint of Quebec, and one of the biggest crowds ever seen on the streets of the city was out to direct traffic duty and confusion reigned supreme. There were in the vicinity of three hundred false fire alarms rung in to-day.

A volunteer fire brigade and police force is being recruited. Thirty-three auxiliary policemen have been sworn in. Many leading citizens, including members of Parliament, have volunteered for police or fire duty.

## HARDING CONSIDERS RAIL CREDIT NEEDS

Supply Men Tell Him Roads Are Unable to Meet Many of Current Bills.

Special Despatch to THE NEW YORK HERALD.

WASHINGTON, D. C., June 27.—Congress stands ready to give wholehearted support to Albert D. Lasker, chairman, and the other members of the new shipping board in their efforts to salvage what Mr. Lasker calls "the most colossal commercial wreck in the history of the world."

Leaders of the Senate and House who control appropriations are willing to vote sufficient money to keep the American merchant fleet on the seas during the present depression and while the new board is trying to find means to stop the stupendous operating loss of \$16,000,000 a month and to settle \$300,000,000 of outstanding claims.

Senators and Representatives who expressed their views to THE NEW YORK HERALD to-day agreed that the Shipping Board faces a gigantic but not a hopeless problem. Their opinions as to what should be done may be summed up as follows:

1. Primarily, the United States merchant fleet, built up at such great cost during the war, must not be allowed to disappear from the high seas.

2. If it is necessary to take a loss for a time on the operation of this fleet, or so much of it as the board deems proper to keep going, the loss should be cheerfully met by Congressional appropriations, provided the new board puts its operating expenses on the lowest possible economical basis.

3. The Government should go out of the shipping business as rapidly as the Shipping Board can dispose of its vessels at a fair price to concerns able to maintain a privately owned and privately operated American merchant marine.

Members of the Senate Committee on Commerce and the House Committee on Merchant Marine and Fisheries as well as the members of the two appropriations committees realize that it probably will be necessary to operate the Government ships at a loss for a considerable period and are not disturbed particularly by that fact. They know that government aid is being given by other countries to keep their merchant fleets from going to the wall during the worldwide depression in the shipping business.

Senator Fernald of Maine, one of the most influential members of the Commerce Committee, who has given years of study to the development of the American merchant marine, said to THE NEW YORK HERALD to-day:

"The new Shipping Board faces an admittedly difficult problem. The members of the board know that Congress and the country are insistent upon economy and likewise upon an adequate American merchant marine. Those familiar with the situation know that for a time we must operate our ships at a loss."

"What I believe the new board ought to do is to get out of ship operation and the shipping business at the earliest possible moment. I have every confidence in the members of the board from the chairman down, and they should have the cooperation of every interest concerned, but I believe that no business can be successfully operated by the Government. We must have less Government ownership and control of everything and let the business world work out its own problems."

About sixty-five of the Shipping Board steel vessels, mostly small freighters, are tied up for want of cargoes. There are about 600 steel vessels and 272 wooden vessels owned by the Government which are tied up because they are unfit for operation or unsuited to the trade routes.

Senator Jones (Va.), chairman of the Committee on Commerce and author of the present shipping law, believes it is highly important that American ships should be kept going even at a loss in order to maintain and develop trade routes and hold business for the American merchant fleet which might otherwise get into foreign hands and remain there indefinitely.

#### HAWAIIANS FAVORED IN BILL.

WASHINGTON, June 27.—The Hawaiian rehabilitation bill was passed to-day by the Senate and sent to the House.

The measure would set aside certain lands of the Territory for settlement exclusively by the Hawaiian people. It also would make certain changes in the Territorial Government, including provision that the Territorial Governor shall have been a resident of the islands for at least three years.

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## BERLIN PAYS SECOND DEBT INSTALMENT

Turns Over To-day to Reparations Commission Equivalent of 44,000,000 Marks.

### IN FOREIGN CURRENCIES

Government Offers 300 Paper Marks for 20 Gold and 42,500 for Kilogram.

Special Cable to THE NEW YORK HERALD.

Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau. Paris, June 27.

Another cash transaction marking the gradual liquidation of Germany's gigantic debt to the Allies and giving further assurance of her good faith will take place here to-morrow. It will consist of turning over to the Reparations Commission equivalent of 44,000,000 gold marks, or approximately \$11,000,000, not in dollars, as was the previous payment, but in different foreign currencies acceptable to the Allies, and will include, it is known, French and Belgian francs, English pounds, Italian lira, Dutch florins and some dollars.

These will be accepted at the exchange rates prevailing on the day payment is made and will be credited to the books of the Reparations Commission on a dollar basis because the notes which Germany has now started to redeem are in dollars.

It has been agreed that any loss occasioned in converting these currencies into dollars or other coinage will be chargeable to the Allies, Germany retaining immediately full credit for her payment in gold marks.

Germany will be handed to-morrow two of her twenty treasury notes maturing August 31, and she will have paid 2,000,000 gold marks toward another, each note being for \$10,000,000. To-morrow's payment will reduce Germany's debt as far as the first billion marks gold is concerned to \$180,000,000, the rest of her debt of 122,000,000,000 marks gold being made up of long term bonds which she has yet to give to the Reparations Commission.

As with the previous payments, to-morrow's cash receipts will be deposited in equal shares in the Bank of France and the Bank of England awaiting a decision of the allied Governments on the French proposal for redistribution.

Just how Germany is to pay the balance of her treasury notes of \$180,000,000 in the next two months is exciting a great deal of speculation here. Indications that her bankers are preparing and are endeavoring to get gold from their own people are afforded in to-day's announcement of the Reichsbank offering 300 paper marks for every 20 mark gold piece and 42,500 paper marks for a kilogram of pure gold. In other words, she is making the same call on the German people as was made on the French peasants to pay her indemnity in 1871.

### DOHNEY CRITICISES OBREGON'S STATEMENT

Insists Americans Seek Only Guarantee of Rights.

American oil interests are placing no obstacles in the path of the Mexican Government, according to Edward L. Dohney in a statement issued yesterday in reply to an interview with President Obregon of the Mexican Republic published yesterday morning. The only interest that the oil companies have, he said, is to prevent the Government, by nationalization or confiscation, from depriving Americans of the right to the properties legally acquired.

With reference to President Obregon's statement that steps had been taken to every requirement of reason and justice in interpreting Article XXVII of the Mexican Constitution, which article is held by oil companies to be confiscatory, Mr. Dohney said: "In a nation where Constitutions, laws and administrations are so easily and quickly changed, it seems but a natural act of caution that our Government should protect American interests by demanding other guarantee than a verbal statement. Our State Department is not asking that Mexico guarantee to Americans the similar rights granted by the United States to Mexicans in the treaty of Guadalupe Hidalgo."

Further than hastening relief legislation the sessions purpose to effect a permanent organization. Estimates were made of 257,000 potential members in the United States.

Ralph A. Horr of Seattle had an interesting experience to-day. A few hours before the armistice Capt. Fred E. Lester of Colorado, of the same regiment in which Mr. Horr was a Captain, was severely wounded. Horr carried Lester to safety, but was severely wounded while doing so. Horr spent eight months in European hospitals. To-day he met Capt. Lester for the first time since they were both wounded. Neither expected to see the other.

### KING GREETES VIRGINIANS.

Delegation Presented Bronze Statue of Washington.

By the Associated Press.

LONDON, June 27.—A delegation of men and women from Virginia, headed by Prof. Henry Louis Smith, president of Washington and Lee University, who came to England to present to the British nation a bronze copy of Mount Vernon's famous marble statue of George Washington, the original of which stands in the rotunda of the State Capitol, were cordially welcomed by King George to-day at Buckingham Palace. The statue was presented to Great Britain by Virginia as an expression of its friendly feeling for the country whose sons were among the first settlers of the State.

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Flannel Sport Coats at \$35

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Formerly to \$20—Smart models in gaberdine, French pique and linen.

Coats and Capes at \$65

Formerly to \$165—A limited selection of coat and cape styles, mostly dark shades, of twill, tricotette and ducryn, suitable for traveling or town wear.

## U. S. WILL ACCEPT MEXICAN CHALLENGE

Will Insist on Treaty With Pledge of Non-Confiscatory Character of Article 27.

### RECOGNITION WILL WAIT

Obregon Statement Considered Propaganda—Taxation Measures Watched.

Special Despatch to THE NEW YORK HERALD.

New York Herald Bureau. Washington, D. C., June 27.

President Obregon of Mexico has issued a challenge to the United States Government and it will be accepted.

That is the interpretation Government leaders place to-day on the statement in behalf of Mexico's policy toward the United States which the Mexican President issued this morning through the medium of a New York newspaper.

It was intimated plainly, but without formal comment, that if President Obregon wants to assure the American public that the confiscatory Article 27 of the Mexican constitution is not to be retroactive, the best way of doing so is to enter into a formal agreement to that effect with the American Government.

The Obregon statement was regarded as well formulated propaganda, and it is understood here it has been in preparation ever since George T. Summerlin, American Charge d'Affaires, suggested to President Obregon that he enter into a treaty of amity and commerce with the United States. The familiar manner in which events of American history are treated in the statement are regarded as evidence that some one more familiar with American affairs than President Obregon gave expert assistance.

While department officials interpret the statement as an effort on the part of President Obregon to fight the Washington Government through publicity and therefore indicative of his refusal to enter into a treaty of amity and commerce, as suggested, special interest centered on that part of the statement which refers to Article 27 of the Mexican constitution.

"Not only have we made repeated official declaration that Article 27," says President Obregon, "would not be given retroactive effect, but we have forbidden any action whatsoever that might give any such appearance."

In presenting this case to Mexico the State Department has stressed the necessity of reassuring the American people on that subject. It was made plain to-day there will be no recession. The State Department takes cognizance of the fact that similar assurance was given by President Carranza to this Government, yet decrees were entered by him making the offending article retroactive and confiscatory.

In answer to his suggestion concerning Article XXVII, President Obregon again will be told by Mr. Summerlin that the United States is not dealing with any particular administration in Mexico. It is dealing with the Mexican people through whatever government happens to represent it at the time the arrangement is made.

No verbal assurance concerning the interpretation to be placed on Article XXVII will be accepted. If President Obregon means what he says it is the position of the United States that the understanding may be written into the proposed treaty without violence to the feelings of Mexicans. Without it there will be no treaty and no recognition.

For the time being no action will be taken by the United States. Negative action hints at "watchful waiting," but it is a policy that will press harder and harder upon any existing government in Mexico. So long as American property and American lives are safeguarded it is believed there is no necessity of pressing a settlement with President Obregon's Government. It is not the policy of Washington, however, to allow things to drift interminably.

Meantime the State Department is carefully examining the taxation measures which the Mexican Government is promulgating. The representations made by oil men that excessive taxation is merely another form of confiscation will receive minute attention. It is recognized that taxation measures that apply to all matters within the sole province of the Mexican Government.

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